

Ahli United Bank B.S.C.

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 SEPTEMBER 2006

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF AHLI UNITED BANK B.S.C.

Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of Ahli United Bank B.S.C. (the "Bank") and its subsidiaries (the "Group") as at 30 September 2006 and the related interim condensed consolidated statements of income, changes in equity and cash flows for the nine-month period then ended and explanatory notes. The Bank's Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.



16 October 2006
Manama, Kingdom of Bahrain

Ahli United Bank B.S.C.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

Period ended 30 September 2006 (Unaudited)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2006	2005	2006	2005
		US\$ '000	US\$ '000	US\$ '000	US\$ '000
OPERATING INCOME					
Interest income		269,546	126,867	670,450	307,117
Interest expense		194,712	76,879	465,947	198,019
Net interest income		74,834	49,988	204,503	109,098
Fees and commissions - net		28,823	21,761	86,291	43,211
Trading income		5,905	7,342	10,622	11,559
Gains on sale of non-trading investments - net		4,890	11,965	22,403	18,834
Share of profit from associates	2	7,865	16,734	21,916	51,987
Dividend income	3	266	-	12,026	634
Other operating income		1,945	1,368	5,736	2,122
		49,694	59,170	158,994	128,347
NET INTEREST AND OTHER INCOME		124,528	109,158	363,497	237,445
Provision for loan losses, impairment of non-trading investments, other assets and contingencies - net		5,249	11,374	16,321	16,023
OPERATING INCOME AFTER PROVISIONS		119,279	97,784	347,176	221,422
OPERATING EXPENSES					
Staff costs		31,064	19,899	85,230	44,600
Depreciation		4,061	2,144	9,491	5,068
Other operating expenses		14,284	11,490	45,015	25,563
		49,409	33,533	139,736	75,231
PROFIT BEFORE TAXATION		69,870	64,251	207,440	146,191
Income tax expense		3,282	1,085	7,457	4,389
NET PROFIT FOR THE PERIOD		66,588	63,166	199,983	141,802
Attributable to:					
Bank's equity shareholders		56,486	51,806	164,342	130,442
Minority interest		10,102	11,360	35,641	11,360
		66,588	63,166	199,983	141,802
EARNINGS PER SHARE:					
Basic (US cents)	4	2.07	1.90	6.02	4.78
Diluted (US cents)	4	1.69	1.55	4.91	3.89

The attached explanatory notes 1 to 9 form part of these interim condensed consolidated financial statements.

Ahli United Bank B.S.C.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2006 (Unaudited)

		<i>Audited</i>
		<i>30 September</i>
		<i>2006</i>
	<i>Note</i>	<i>US\$ '000</i>
		<i>31 December</i>
		<i>2005</i>
		<i>US\$ '000</i>
ASSETS		
Cash and balances with central banks		130,372
Treasury bills and bonds		982,915
Trading securities		62,622
Deposits with banks and other financial institutions		5,781,779
Loans and advances		8,322,147
Non-trading investments		2,173,876
Kuwait Government Debt Bonds		252,319
Investments in associates	8	508,257
Premises and equipment		140,001
Interest receivable		137,483
Other assets		177,002
Goodwill		388,800
TOTAL ASSETS		19,057,573
LIABILITIES, SUBORDINATED LIABILITIES AND EQUITY		
LIABILITIES		
Deposits from banks and other financial institutions		4,868,223
Customers' deposits		10,266,959
Certificates of deposits		404,525
Term debt		855,133
Interest payable		194,356
Other liabilities		258,313
		16,847,509
SUBORDINATED LIABILITIES		
		443,966
EQUITY		
Ordinary share capital	5	682,500
Preference share capital		148,718
Reserves		660,017
Attributable to the Bank's equity shareholders		1,491,235
Minority interest		274,863
		1,766,098
TOTAL LIABILITIES, SUBORDINATED LIABILITIES AND EQUITY		19,057,573



Fahad Al-Rajaan
Chairman
Board of Directors



Hamad Al-Marzouq
Deputy Chairman
Board of Directors



Adel A. El-Labban
Group Chief Executive Officer &
Managing Director



The attached explanatory notes 1 to 9 form part of these interim condensed consolidated financial statements.

Ahli United Bank B.S.C.

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Period ended 30 September 2006 (Unaudited)

	<i>Nine months ended</i>	
	<i>30 September</i>	
	<i>2006</i>	<i>2005</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Net cash from operating activities	1,740,727	344,330
Net cash used in investing activities	(120,899)	(208,035)
Net cash used in financing activities	(146,089)	(56,639)
Foreign currency translation adjustments - net	(7,129)	2,160
INCREASE IN CASH AND CASH EQUIVALENTS	1,466,610	81,816
Cash and cash equivalents at 1 January	2,107,240	2,146,149
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	3,573,850	2,227,965
Comprising:		
Cash and balances with central banks, excluding mandatory reserve deposits	80,889	100,707
Deposits with banks and other financial institutions with an original maturity of three months or less	3,492,961	2,127,258
	3,573,850	2,227,965

The attached explanatory notes 1 to 9 form part of these interim condensed consolidated financial statements.

Ahli United Bank B.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 September 2006 (Unaudited)

	Attributable to Bank's equity shareholders													
	Ordinary share capital		Preference share capital		Share premium	Capital reserve	Statutory reserve	Currency translation adjustments		Retained earnings	Proposed appropriations	Cumulative changes in fair values	Total	Minority interest
	US\$ '000	'000	US\$ '000	'000				US\$ '000	US\$ '000					
Balance at 31 December 2005	650,000	125,000	216,667	307	50,672	(5,010)	116,766	89,403	123,813	1,367,618	255,580			
Directors' fees paid	-	-	-	-	-	-	-	(617)	-	(617)	-			
Donations approved	-	-	-	-	-	-	-	(413)	-	(413)	-			
Currency translation adjustments	-	-	-	-	-	(7,129)	-	-	-	(7,129)	-			
Net fair value movements during the period	-	-	-	-	-	-	-	-	-	-	-			
Other equity movements of a subsidiary	-	-	-	-	-	-	-	-	13,115	13,115	3,032			
Net income recognised directly in equity	-	-	-	-	-	(7,129)	-	(1,030)	13,115	4,956	(16,358)			
Net profit for the period	-	-	-	-	-	-	164,342	-	-	164,342	35,641			
Total recognised income and expense for the period	-	-	-	-	-	(7,129)	164,342	(1,030)	13,115	169,298	19,283			
Class A preference share dividend paid	-	-	-	-	-	-	-	(10,373)	-	(10,373)	-			
Ordinary share dividend paid	-	-	-	-	-	-	-	(78,000)	-	(78,000)	-			
Bonus shares issued (Note 5)	32,500	-	-	-	-	-	(32,500)	-	-	-	-			
Class B preference shares issued (Note 5)	-	23,718	18,974	-	-	-	-	-	-	-	42,692			
Balance at 30 September 2006	682,500	148,718	235,641	307	50,672	(12,139)	248,608	-	136,928	1,491,235	274,863			

The attached explanatory notes 1 to 9 form part of these interim condensed consolidated financial statements.

Ahli United Bank B.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Period ended 30 September 2006 (Unaudited)

	Attributable to Bank's equity shareholders										
	Ordinary share capital US\$ '000	Preference share capital US\$ '000	Share premium US\$ '000	Capital reserve US\$ '000	Statutory reserve US\$ '000	Currency translation adjustments US\$ '000	Retained earnings US\$ '000	Proposed appropriations US\$ '000	Cumulative changes in fair values US\$ '000	Total US\$ '000	Minority interest US\$ '000
Balance at 31 December 2004 (restated)	650,000	-	123,752	307	34,185	(7,258)	57,791	70,666	71,460	1,000,903	-
Directors' fees paid	-	-	-	-	-	-	-	(466)	-	(466)	-
Arising on acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-
Currency translation adjustments	-	-	-	-	-	2,160	-	-	-	-	197,254
Net fair value movements during the period	-	-	-	-	-	-	-	-	-	2,160	-
Net income recognised directly in equity	-	-	-	-	-	-	-	-	24,728	24,728	3,195
Net profit for the period	-	-	-	-	-	2,160	-	(466)	24,728	26,422	200,449
Total recognised income and expense for the period	-	-	-	-	-	2,160	130,442	-	-	130,442	11,360
Class A preference shares issued	-	125,000	92,915	-	-	-	-	(466)	-	-	-
Ordinary share dividend paid	-	-	-	-	-	-	-	(70,200)	-	(70,200)	-
Balance at 30 September 2005	650,000	125,000	216,667	307	34,185	(5,098)	188,233	-	96,188	1,305,482	211,809

The attached explanatory notes 1 to 9 form part of these interim condensed consolidated financial statements.

Ahli United Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2006 (Unaudited)

1 ACCOUNTING POLICIES

The interim condensed consolidated financial statements of Ahli United Bank B.S.C. ("the Bank") and its subsidiaries (together known as "the Group") are prepared in accordance with International Financial Reporting Standard IAS 34, *Interim Financial Reporting* ("IAS 34"). The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2005.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. In addition, results for the 9 months ended 30 September 2006 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2006.

2 SHARE OF PROFIT FROM ASSOCIATES

Until 7 August 2005, the Bank's investment in Bank of Kuwait and the Middle East K.S.C. (BKME) was equity accounted with the Bank's share of income from that investment reflected as "share of profit from associates". Following a circa 27% additional share acquisition on 8 August 2005, BKME became a subsidiary. As a result, BKME's financial statements have been consolidated on a line-by-line basis from that date.

3 SEASONALITY OF RESULTS

Dividend income of US\$ 12,026,000 for the nine months ended 30 September 2006 (2005: US\$ 634,000) is of a seasonal nature.

4 EARNINGS PER ORDINARY SHARE

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
Net profit for the period attributable to Bank's ordinary equity shareholders (US\$'000)	<u>56,486</u>	<u>51,806</u>	<u>164,342</u>	<u>130,442</u>
Weighted average ordinary shares outstanding during the period adjusted for bonus shares (million)	<u>2,730</u>	<u>2,730</u>	<u>2,730</u>	<u>2,730</u>
Weighted average ordinary shares adjusted for bonus shares and dilutive effect of the convertible portion of Class A and Class B preference shares (million)	<u>3,350</u>	<u>3,350</u>	<u>3,350</u>	<u>3,350</u>
Basic earnings per ordinary share (US cents)	<u>2.07</u>	<u>1.90</u>	<u>6.02</u>	<u>4.78</u>
Diluted earnings per ordinary share (US cents)	<u>1.69</u>	<u>1.55</u>	<u>4.91</u>	<u>3.89</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS

30 September 2006 (Unaudited)

5 EQUITY

The Annual General Meeting held on 27 March 2006 approved a bonus dividend of 5% (1 ordinary share for every 20 shares held) resulting in an increase in the ordinary share capital by 130 million ordinary shares to 2,730 million ordinary shares.

The increase in preference share capital of US\$ 23.7 million, with share premium of US\$18.9 million, represents issue of Class B shares to employees under the Employees' Share Purchase Plan.

6 CONTINGENT LIABILITIES

The Group had the following credit related contingent liabilities:

	<i>30 September 2006 US\$ '000</i>	<i>31 December 2005 US\$ '000</i>
Guarantees	854,372	826,543
Acceptances	28,657	38,749
Letters of credit	350,195	227,957
	<u>1,233,224</u>	<u>1,093,249</u>

7 SEGMENT INFORMATION

Primary segment information

For management purposes the Group is organised into three major business segments:

- Retail banking
- Corporate banking, treasury and investments
- Private banking and wealth management

These segments are the basis on which the Group reports its primary segment information. Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged/credited to business segments based on a pool rate, which approximates the cost of funds.

Ahli United Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2006 (Unaudited)

7 SEGMENT INFORMATION (continued)

Segmental information for the period was as follows:

	<i>Retail banking</i> US\$ '000	<i>Corporate banking, treasury and investments</i> US\$ '000	<i>Private banking and wealth management</i> US\$ '000	<i>Total</i> US\$ '000
Nine months ended 30 September 2006:				
Operating income before provisions	107,387	183,501	50,693	341,581
	31%	54%	15%	100%
Share of profit from associates				21,916
Operating income before provisions				363,497
Segment result	57,314	122,319	22,212	201,845
	28%	61%	11%	100%
Share of profit from associates				21,916
Provisions - net				(16,321)
Income tax expense				(7,457)
Net profit attributable to minority interest				(35,641)
Net profit attributable to the Bank's equity shareholders				164,342
Nine months ended 30 September 2005:				
Operating income before provisions	54,039	114,564	16,855	185,458
	29%	62%	9%	100%
Share of profit from associates				51,987
Operating income before provisions				237,445
Segment result	27,400	77,087	5,740	110,227
	25%	70%	5%	100%
Share of profit from associates				51,987
Provisions - net				(16,023)
Income tax expense				(4,389)
Net profit attributable to minority interest				(11,360)
Net profit attributable to the Bank's equity shareholders				130,442

8 INVESTMENTS IN ASSOCIATES

On 20 August 2006, the Bank acquired an effective holding of 44.6% in the share capital of Delta International Bank S.A.E, a bank engaged in commercial and retail banking and headquartered in Cairo, Arab Republic of Egypt. The consideration paid for the Bank's holding was US\$ 144 million.